

Creative Commons Corporation

Financial Statements

Year Ended December 31, 2008

Creative Commons Corporation

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CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

Independent Auditors' Report

Board of Directors
Creative Commons Corporation

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2008, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated March 22, 2008, we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to be "J. J. Wright" or similar, written in a cursive style.

March 27, 2009

Creative Commons Corporation
Statement of Financial Position
December 31, 2008
(With Comparative Totals at December 31, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,423,332	\$ 1,440,898
Grants Receivable	2,195,000	799,999
Contributions and Other Receivables	305,167	58,832
Prepaid Expenses	26,303	35,694
Total Current Assets	<u>3,949,802</u>	<u>2,335,423</u>
NONCURRENT ASSETS		
Grants Receivable	4,722,913	-
Investments	11,622	24,929
Security Deposit	7,105	7,105
Property and Equipment - Net	36,305	44,481
Total Noncurrent Assets	<u>4,777,945</u>	<u>76,515</u>
Total Assets	<u>\$ 8,727,747</u>	<u>\$ 2,411,938</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 44,727	\$ 36,570
Accrued Expenses	85,772	85,125
Notes Payable	-	450,000
Total Liabilities	<u>130,499</u>	<u>571,695</u>
NET ASSETS		
Unrestricted	120,287	86,541
Temporarily Restricted	8,476,961	1,753,702
Total Net Assets	<u>8,597,248</u>	<u>1,840,243</u>
Total Liabilities and Net Assets	<u>\$ 8,727,747</u>	<u>\$ 2,411,938</u>

Creative Commons Corporation
Statement of Activities
Year Ended December 31, 2008
(With Comparative Totals at December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
REVENUE AND GAINS				
Foundation Grants	\$ 996,049	\$ 6,349,444	\$ 7,345,493	\$ 1,770,250
Contributions	1,451,663	1,671,832	3,123,495	1,775,237
In-Kind Contributions	377,443		377,443	75,255
Interest Income	14,720		14,720	12,492
Foreign Currency Translation Gain (Loss)	(15,748)		(15,748)	14,713
Investment Income (Loss)	(13,294)		(13,294)	6,918
Other Income	50,579		50,579	-
Sales	-		-	486
	<u>2,861,412</u>	<u>8,021,276</u>	<u>10,882,688</u>	<u>3,655,351</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of Program Restrictions	<u>1,074,045</u>	<u>(1,074,045)</u>	<u>-</u>	<u>-</u>
Total Revenue and Gains	<u>3,935,457</u>	<u>6,947,231</u>	<u>10,882,688</u>	<u>3,655,351</u>
EXPENSES				
Program Services	3,096,187		3,096,187	2,809,486
Supporting Services				
Management and General Expenses	502,785		502,785	543,997
Fundraising Expenses	<u>302,739</u>		<u>302,739</u>	<u>357,394</u>
Total Expenses	<u>3,901,711</u>	<u>-</u>	<u>3,901,711</u>	<u>3,710,877</u>
CHANGE IN NET ASSETS	33,746	6,947,231	6,980,977	(55,526)
NET ASSETS, BEGINNING OF YEAR	86,541	1,753,702	1,840,243	1,895,769
SEPARATION OF OPERATIONS - iCommons Ltd.		<u>(223,972)</u>	<u>(223,972)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 120,287</u>	<u>\$ 8,476,961</u>	<u>\$ 8,597,248</u>	<u>\$ 1,840,243</u>

Creative Commons Corporation
Statement of Functional Expenses
Year Ended December 31, 2008
(With Comparative Totals at December 31, 2007)

	Program Services					Supporting Services			2008	2007
	CC Core	Science Commons	CC International	Learning Commons	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 706,807	\$ 482,904	\$ 210,478	\$ 201,574	\$ 1,601,763	\$ 106,999	\$ 148,831	\$ 255,830	\$ 1,857,593	\$ 1,273,301
Payroll Taxes	50,743	34,669	15,111	14,471	114,994	7,682	10,685	18,367	133,361	94,231
Employee Benefits	73,984	50,547	22,031	21,099	167,661	11,200	15,579	26,779	194,440	153,027
	831,534	568,120	247,620	237,144	1,884,418	125,881	175,095	300,976	2,185,394	1,520,559
Travel and Conferences	168,363	96,065	74,241	39,811	378,480	14,560	32,238	46,798	425,278	819,317
Legal Fees	377,443	4,844			382,287	10,839		10,839	393,126	94,220
Consulting and Design	159,279	28,470		3,000	190,749	143,918	1,971	145,889	336,638	488,689
Occupancy	49,653	26,764	52,578	11,172	140,167	5,930	8,249	14,179	154,346	160,309
Professional Services	30,999	4,900	2,136	2,045	40,080	51,886	16,882	68,768	108,848	258,810
Accounting Fees					-	62,435		62,435	62,435	28,197
Telephone	15,855	10,832	4,721	4,522	35,930	2,400	3,338	5,738	41,668	7,223
Supplies	9,140	7,205	2,726	3,247	22,318	1,910	12,307	14,217	36,535	19,256
Publicity and Communication			119		119		35,374	35,374	35,493	55,002
Insurance					-	33,479		33,479	33,479	43,037
Depreciation					-	26,837		26,837	26,837	23,850
Fund Raising Expenses					-		15,955	15,955	15,955	19,536
Membership and Dues					-	11,286		11,286	11,286	18,529
Printing	4,156	2,840	1,229	1,193	9,418	629	875	1,504	10,922	10,965
Licenses and Fees	6,350				6,350	1,705		1,705	8,055	530
Bank Charges					-	6,810		6,810	6,810	15,835
Technology	2,528	2,082	644	617	5,871	327	455	782	6,653	113,695
Board Cultivation and Meetings					-	1,727		1,727	1,727	8,804
Recruiting					-	220		220	220	3,574
Training					-	6		6	6	70
Other Expenses					-			-	-	870
Total Expenses	\$ 1,655,300	\$ 752,122	\$ 386,014	\$ 302,751	\$ 3,096,187	\$ 502,785	\$ 302,739	\$ 805,524	\$ 3,901,711	\$ 3,710,877

Creative Commons Corporation
Statement of Cash Flows
Year Ended December 31, 2008
(With Comparative Totals at December 31, 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,980,977	\$ (55,526)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	26,837	23,850
Donated Investments	-	(1,021)
Unrealized (Gain) Loss on Investments	13,380	(6,842)
Gift Against Loan	-	(50,000)
(Increase) Decrease in Operating Assets		
Grants Receivable	(6,117,914)	(549,999)
Contributions and Other Receivables	(246,408)	164,778
Prepaid Expenses	9,391	12,453
Security Deposit	-	(7,106)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	8,157	(7,684)
Accrued Expenses	647	63,082
Net Cash Provided (Used) by Operating Activities	<u>675,067</u>	<u>(414,015)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(18,661)</u>	<u>(47,818)</u>
Net Cash (Used) by Investing Activities	<u>(18,661)</u>	<u>(47,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New Borrowings	-	500,000
Payment of Notes Payable	(450,000)	-
Separation of Operations - iCommons Ltd.	<u>(223,972)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(673,972)</u>	<u>500,000</u>
NET INCREASE (DECREASE) IN CASH	(17,566)	38,167
CASH, BEGINNING OF YEAR	<u>1,440,898</u>	<u>1,402,731</u>
CASH, END OF YEAR	<u>\$ 1,423,332</u>	<u>\$ 1,440,898</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008

1. Summary of Organization and Significant Accounting Policies

Organization – Creative Commons Corporation (Creative Commons) is a Massachusetts charitable corporation devoted to expanding the range of creative work available for others to build upon and share. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work, Creative Commons enables users of knowledge, information and culture to benefit more fully from those resources by providing free permission forms that authors can use to grant permission to the public to copy, amend, distribute or otherwise utilize their works for a greater range of purposes. Creative Commons provides a range of licenses as well as web-based tools to publish and search for content that is free to use for such purposes.

The goal of the Science Commons division is to make academic research more freely available. It has produced the Scholar's Copyright Addendum to allow authors of journal articles to retain the right to self-publish their manuscripts rather than leaving control in the hands of the journal publisher. It has developed software tools used by universities to enable faculty to self-archive these documents. Science Commons has also worked to design mechanisms that allow researchers to contribute data from experimental work to centralized databases where it may be accessed by other scientists. It is also investigating patent and data pools to further collaboration on neglected diseases.

The ccLearn division was launched in 2007. It is identifying educational resources that are offered under various sharing principles and finding ways to make these permissions interoperable.

In 2005 Creative Commons seeded a UK charitable subsidiary, iCommons Ltd, to provide information and support to users of open sharing practices outside of the United States. iCommons has hosted an annual conference, the iSummit, and provides materials and services via the Internet. Although Creative Commons retains a minority membership position, iCommons became legally independent as of January 1, 2008 and thus no consolidated financial statements are included in the year ended December 31, 2008.

Creative Commons' licenses have been translated and adapted for use in more than 51 countries with 15 more jurisdictions in process. Creative Commons is a major player in the "free culture" environment not only in the US but on a worldwide basis.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008
(Continued)

1. **Summary of Organization and Significant Accounting Policies – continued**

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, Creative Commons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to foundation agencies and corporations.

Contributions Receivable – Unconditional receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional receivables are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. No allowance for uncollectible receivables has been recorded based on management's evaluation of collections.

Investments – Investments, consisting of nationally traded securities, are stated at fair market value.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008
(Continued)

1. **Summary of Organization and Significant Accounting Policies** – continued

Property and Equipment – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Restricted and Unrestricted Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services – The financial statements reflect \$377,443 for donated legal services to evaluate ongoing tax, trademark, and copyright implications of its new programs and existing services.

Income Taxes – Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Functional Allocation of Expenses – Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008
(Continued)

2. Concentration of Credit Risk

Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008, the uninsured cash balances total \$1,190,022.

3. Promises to Give

Included in Grants Receivable are the following unconditional promises to give:

Total Temporarily Restricted Promises to Give	\$ <u>7,105,000</u>
Receivable in less than one year	\$ 2,195,000
Receivable in one to five years	<u>4,910,000</u>
Total unconditional promises to give	7,105,000
Less: discounts to net present value	<u>(187,087)</u>
Net unconditional promises to give at December 31, 2008	\$ <u>6,917,913</u>

Promises to give receivable in more than one year are discounted at 2%.

There is a conditional promise to give of \$157,673 to be used for direct expenses for Science Commons. The promise to give is conditional on a positive review of the progress report for 2008 by the Foundation staff.

4. Investments

Common Stock	\$ <u>11,622</u>
The composition of investment income is as follows:	
Net Unrealized (Loss)	\$ (13,380)
Dividends	<u>86</u>
Total	\$ <u>(13,294)</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008
(Continued)

5. Property and Equipment

Computer Equipment	\$ 90,654
Furniture and Equipment	<u>34,260</u>
Subtotal	124,914
Less: Accumulated Depreciation	<u>(88,609)</u>
Property and Equipment - Net	\$ <u>36,305</u>

6. Related Party Transaction

Creative Commons received an unsecured loan from a board member of the Organization to cover general expenses in 2007. The principal sum of \$500,000, without interest, was payable December 31, 2007. Any principal not paid when due bears interest at the rate of 7% per annum. During 2007, a gift of \$50,000 was given by the board member against this loan. In December 2007, an interest-free extension was requested and granted until January 31, 2008. Payment in the remaining amount of \$450,000 was made in January 2008.

7. Temporarily Restricted Net Assets

Restricted as to purpose and time:	
General Support	\$ 6,515,862
Learning Commons	1,943,186
Endowment Campaign	200,000
Book and Public Domain Wiki	<u>5,000</u>
Total Temporarily Restricted Net Assets	8,664,048
Less: discounts to net present Value	<u>(187,087)</u>
Total	\$ <u>8,476,961</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2008
(Continued)

8. Operating Lease

Creative Commons entered into a five year building lease agreement for its program facilities in San Francisco, California expiring April 2012. For the year ended December 31, 2008, total rent expense under this lease was \$91,233.

Minimum future lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	
2009	\$ 90,856
2010	94,135
2011	97,414
2012	<u>28,691</u>
Total	\$ <u>311,096</u>

9. Pension Plan

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. Matching contributions made during the year ending December 31, 2008 totaled \$78,792.